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Great Britain and Canada Investment Corporation

39th

ANNUAL REPORT
TO THE SHAREHOLDERS

For the Year Ended 31st December, 1967

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

(Incorporated under the Quebec Companies Act)

1245 SHERBROOKE STREET WEST, MONTREAL 25, QUEBEC

OFFICERS

W. A. ARBUCKLE, C.A.,
President

J. B. WOODYATT, B.SC., D.C.L.,
Vice-President

C. L. LAROCK, F.C.I.S.,
Secretary-Treasurer

DIRECTORS

W. A. ARBUCKLE, C.A.	. Montreal, Quebec
M. H. CRICHTON, O.B.E.	. London, England
M. H. R. GOVETT	. London, England
N. B. IVORY	. Montreal, Quebec
C. L. LAROCK, F.C.I.S.	. Montreal, Quebec
A. DEANE NESBITT, O.B.E., D.F.C.	. Montreal, Quebec
D. STEWART PATTERSON, O.B.E.	. Montreal, Quebec
J. G. PHILLIMORE, C.M.G.	. London, England
P. N. THOMSON	. Montreal, Quebec
J. B. WOODYATT, B.SC., D.C.L.	. Montreal, Quebec

MANAGERS

INVESTMENT SECRETARIAT LTD.

(a wholly-owned subsidiary of Arbuckle, Govett & Co. Ltd.)

AUDITORS

TOUCHE, ROSS, BAILEY & SMART, CHARTERED ACCOUNTANTS
Montreal, Quebec

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

Montreal, 20th February, 1968.

To the Shareholders:

Your Directors present herewith the Thirty-ninth Annual Report of your Corporation for the year ended 31st December, 1967.

INCOME

Gross income of the Corporation amounted to \$946,081 compared with \$980,905 for the preceding year. Net profit amounted to \$758,653 and was equal to 51¢ per Common share after Preferred dividends of \$300,000, compared with 54¢ per Common share in 1966.

TOTAL NET ASSETS

The Corporation's net tangible assets, before deducting outstanding debentures, were valued at \$25,411,345 as at 31st December, 1967, compared with \$23,343,566 as at 31st December, 1966. Net asset value per Common share after deducting outstanding debentures and the Preferred shares at a redemption price of 105%, amounted to \$19.61 and \$17.31 respectively. Your attention is drawn to the List of Investments incorporated in this Report.

INVESTMENT RESERVE

Changes in the investment holdings effected during the year resulted in a surplus over book cost of \$1,036,632 which amount, after deducting a small exchange loss on capital account, was credited to Investment Reserve.

DIVIDENDS

Dividends totalling \$300,000 were declared payable on the Preferred shares. A regular dividend of 40¢ and a bonus dividend of 5¢ per share were again paid on the Common shares.

REVIEW AND OUTLOOK

In 1967 perhaps the most significant factor which impinged upon the Canadian economy was the rapid increase in wage levels with employees in many industries attempting to achieve parity with their counterparts in the U.S. The strong advance in wages was not accompanied by a corresponding rise in productivity and thus created an inflationary environment which caused a severe squeeze on corporate profit margins and doubts concerning Canada's ability to maintain the exchange rate of the dollar in world markets.

During the current year a continued growth in the economy is to be expected with approximately half the gain in Gross National Product being due to price increases as was the case in 1967. The pressure on corporate profits will thus continue with the impact being most onerous on large companies in basic industries which are unable to raise prices to compensate for inflated costs brought about by higher wage levels. Fortunately there are strong reserves to support

the value of the Canadian dollar in exchange markets and it is unlikely that devaluation relative to the U.S. dollar will occur in the near future.

Despite the widespread impact of the profit squeeze certain groups have been relatively immune. These would include industries with a strong technological orientation and companies providing services to the consumer. It is not always possible to obtain adequate representation in these attractive areas of investment through the purchase of Canadian equities. It may, therefore, be the decision of your Board to invest a higher proportion of the Corporation's funds in the United States where a much wider range of diversified investment is available. The long term growth of income and asset value should more than compensate for the immediate decline in net income which such a policy would entail.

DIRECTORATE

Shareholders will be asked to ratify and confirm By-Law "L" enacted by the Directors on 1st February, 1968, and which provides for a reduction in the number of Directors from ten to eight. Mr. J. B. Woodyatt, B.Sc., D.C.L., who does not offer himself for re-election, has been a Director of this Corporation since its incorporation in 1929 and the Vice-President since 1931. His dispassionate assessment of values, his faith in the vitality and growth of North America and his intimate knowledge of Canada from Coast to Coast have been of incalculable value to the Corporation through these many years. Your Directors will greatly miss his wise counsel.

AUDITORS

The books and accounts of your Corporation have been audited by Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, whose report is attached.

SPECIAL AND ANNUAL GENERAL MEETINGS

A Special General Meeting and the Annual General Meeting of Shareholders will be held on 29th April, 1968. Holders of the Corporation's Preferred shares are not entitled as such to Notice of such Meetings nor to attend or vote thereat.

Respectfully submitted on behalf of the Board,
W. A. ARBUCKLE,
President.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

STATEMENT OF INCOME

AND RETAINED EARNINGS FOR THE YEAR ENDED 31ST DECEMBER, 1967

	1967	1966
INCOME FROM INVESTMENTS	\$ 946,081	\$ 980,905
Withholding taxes, deducted at source	23,465	22,775
	<u>922,616</u>	<u>958,130</u>
Management expenses (Note 5)	59,078	59,363
Other expenses	4,431	3,470
Income and other taxes	13,560	14,060
Interest	86,894	99,654
	<u>163,963</u>	<u>176,547</u>
NET INCOME	758,653	781,583
Retained earnings at beginning of year	1,655,521	1,578,102
	<u>2,414,174</u>	<u>2,359,685</u>
Dividends on Preferred shares	300,000	300,000
Dividend on Common shares	404,164	404,164
	<u>704,164</u>	<u>704,164</u>
RETAINED EARNINGS AT END OF YEAR . .	<u>\$ 1,710,010</u>	<u>\$ 1,655,521</u>

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 1967

	1967	1966
CURRENT ASSETS:		
Cash	\$ 112,032	\$ 143,904
Short term deposits	100,000	—
Accounts receivable	—	41,060
Accrued income on investments	145,730	150,788
	<u>357,762</u>	<u>335,752</u>
CURRENT LIABILITIES:		
Preferred dividend payable	75,000	75,000
Account payable and accrued expenses	825	99,642
Accrued debenture interest	6,875	6,875
Provision for income taxes	3,869	3,776
	<u>86,569</u>	<u>185,293</u>
NET CURRENT ASSETS	271,193	150,459
INVESTMENTS AT MARKET VALUE (Note 1)	25,140,152	23,193,107
	<u>25,411,345</u>	<u>23,343,566</u>
FUNDED DEBT (Note 2)	1,500,000	1,500,000
SHAREHOLDERS' EQUITY	\$ 23,911,345	\$21,843,566
REPRESENTED BY:		
Capital stock (Note 3)	\$ 6,898,143	\$ 6,898,143
Unrealized appreciation of investments (Note 1)	6,179,290	5,201,594
Investment reserve (Note 4)	9,123,902	8,088,308
Retained earnings — per statement attached	1,710,010	1,655,521
	<u>\$ 23,911,345</u>	<u>\$21,843,566</u>

Signed on behalf of the Board of Directors:

W. A. ARBUCKLE, *Director*.

JAS. B. WOODYATT, *Director*.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1967

NOTE 1. INVESTMENTS AT MARKET VALUE:

	1967	1966
Securities valued on the basis of available Stock Exchange prices or estimated fair values	\$ 25,140,152	\$23,193,107
Securities at book value	18,960,862	17,991,513
Difference included in Shareholders' Equity as unrealized appreciation of investments	<u>\$ 6,179,290</u>	<u>\$ 5,201,594</u>

NOTE 2. FUNDED DEBT:

	1967	1966
5½% Income Debentures, due 1st December, 1971,—		
Authorized and issued	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

NOTE 3. CAPITAL STOCK:

	1967	1966
Preferred shares,—		
5% Cumulative, redeemable of \$50 par value—		
Authorized and issued — 120,000 shares	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Common shares of \$1 par value—		
Authorized — 1,497,843 shares		
Issued — 898,143 shares	<u>898,143</u>	<u>898,143</u>
	<u>\$ 6,898,143</u>	<u>\$ 6,898,143</u>

The Preferred shares of \$50 par value are entitled to fixed cumulative preferential cash dividends at the rate of 5% per annum payable quarterly as and when declared by the Board of Directors on the first days of January, April, July and October and are redeemable at the option of the Corporation at any time in whole or from time to time in part, on not less than 30 days' notice, at \$52.50 per share or, in one restricted event, at \$50 per share, plus, in each case, accrued and unpaid dividends to the date of redemption. The shares may also be purchased in the open market or by private contract at prices not exceeding the redemption price of \$52.50 per share.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1967 (Continued)

NOTE 4. INVESTMENT RESERVE:

	1967	1966
Balance at beginning of year	\$ 8,088,308	\$8,072,903
Add: Surplus on changes in investments	1,036,632	19,241
	<u>9,124,940</u>	<u>8,092,144</u>
Deduct: Exchange loss on capital account	1,038	—
Legal expenses of Debenture issue	—	3,836
Balance at end of year	<u>\$ 9,123,902</u>	<u>\$8,088,308</u>

NOTE 5. MANAGEMENT EXPENSES:

Directors' fees, included in management expenses, amounted to \$11,900 in 1967 and \$12,250 in 1966.

AUDITORS' REPORT TO THE SHAREHOLDERS OF GREAT BRITAIN AND CANADA INVESTMENT CORPORATION:

We have examined the statement of financial position of Great Britain and Canada Investment Corporation as at 31st December, 1967, and the statement of income and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and as shown by the books of the Corporation, these financial statements, with notes thereto, present fairly the financial position of the Corporation as at 31st December, 1967, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

Montreal, Que., 31st January, 1968.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1967

BONDS AND DEBENTURES (6.49%)

	Par Value or Number of Shares	Market Value
Alberta Gas Trunk Line Company Limited, The, 5¾%, Series "B", 1985	\$120,000	\$ 100,200
British Columbia Molybdenum Limited, 5¾%, Series "A", 1976.	210,000	180,600
Canadian British Aluminium Company Limited, 5¾%, Series "A", 1977	200,000	182,000
Capital Management Limited, Non-Interest, 1981, and 932 Shares of Common Stock .	150,000	75,000
Gas Trunk Line of British Columbia Ltd., 6%, Series "A", 1981	100,000	85,000
Home Oil Company Limited, 6¼%, 1983	100,000	85,000
Industrial Acceptance Corporation Limited, 6¾%, 1980	145,000	131,950
Power Corporation of Canada, Limited, 5½%, 1977	100,000	86,000
Quebec Natural Gas Corporation, Cdn. Series, 5¾%, 1985	100,000	77,500
Quebec Natural Gas Corporation, 6%, Series "G", 1988	100,000	79,500
Rio Algom Mines Limited, 5¾%, Series "A", 1983	200,000	168,000
Simpsons-Sears Acceptance Company Limited, 6¾%, Series "B", 1980	100,000	95,000
Steelman Gas Limited, 6%, Series "A", 1973	35,000	29,050
Trans-Canada Pipe Lines Limited, Cdn. Series, 5.85%, 1987	200,000	166,000
Western Pacific Products & Crude Oil Pipelines Ltd., 6½%, Series "A", 1981	100,000	91,000
		<u>\$1,631,800</u>

PREFERRED STOCKS (6.85%)

Canadian Pacific Investments Limited, 4¾%, Series "A", Conv., of \$20, cum share purchase warrants	15,000	\$ 356,250
Capital Management Limited, 6%, of \$1	75,000	75,000
Columbia Cellulose Company, Limited, \$1.20, Conv., of \$25	8,000	106,000
Consolidated-Bathurst Limited, 6%, 1966 Series, of \$25	15,000	315,000
Dominion-Scottish Investments Limited, 5%, of \$50	1,500	58,500
Laurentide Financial Corporation Ltd., \$2, (Secondary), Conv., of \$38	15,000	238,200
Maclaren Power & Paper Company, 1%, Non-Cum., of \$1	32,965	18,131
Newfoundland Light & Power Co. Limited, 5½%, Series "A", of \$10	7,000	58,660
Power Corporation of Canada, Limited, 6%, 2nd, Non-Cum., Partg., of \$5	40,000	360,000
Quebec Natural Gas Corporation, 5½%, 1966 Series, of \$100	2,000	137,500
		<u>\$1,723,241</u>

COMMON STOCKS (86.66%)

	Number of Shares	Market Value
BANKS (7.92%)		
Bank of Montreal, of \$2	30,000	\$ 337,500
Canadian Imperial Bank of Commerce, of \$2	30,000	420,000
Montreal City and District Savings Bank, The, of \$1	20,000	200,000
Royal Bank of Canada, The, of \$2	30,000	472,500
Security First National Bank (Los Angeles), of \$10	7,000	262,710
Southeast Bancorporation, Inc., of \$5	8,000	298,080
		<u>\$1,990,790</u>

BUILDING MATERIALS AND CONSTRUCTION (2.26%)

Asbestos Corporation Limited, n.p.v.	10,000	\$ 193,800
Cassiar Asbestos Corporation Limited, n.p.v.	16,500	282,645
Mussens Limited, n.p.v.	15,000	91,950
		<u>\$ 568,395</u>

CHEMICAL (0.89%)

Chemcell Limited, n.p.v.	10,000	\$ 77,500
Nalco Chemical Company, of \$1.50	3,000	144,990
		<u>\$ 222,490</u>

ELECTRICAL EQUIPMENT AND ELECTRONICS (7.19%)

General Dynamics Corporation, of \$1	4,000	\$ 286,200
General Electric Company, of \$5	4,000	414,720
International Business Machines Corporation, of \$5	800	541,728
Raytheon Company, of \$5	3,000	341,010
Square D Company, of \$1.66 $\frac{2}{3}$	9,000	223,560
		<u>\$1,807,218</u>

ENTERTAINMENT (3.30%)

Famous Players Canadian Corporation, Limited, n.p.v.	20,000	\$ 830,000
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FOOD AND BEVERAGES (4.88%)

Distillers Corporation-Seagrams Limited, of \$1	10,000	\$ 395,000
Dominion Dairies Limited, n.p.v.	14,000	262,500
Federal Grain Limited, n.p.v.	30,000	210,000
Molson Breweries Limited, Class "B", n.p.v.	20,000	360,000
		<u>\$1,227,500</u>

INSURANCE AND MORTGAGE (1.76%)

Crédit Foncier Franco-Canadien, n.p.v.	4,500	\$ 193,500
Great-West Life Assurance Company, The, of \$1	5,000	250,000
		<u>\$ 443,500</u>

COMMON STOCKS (86.66%) (Continued)

	Number of Shares	Market Value
INVESTMENT COMPANIES (6.01%)		
Canadian Power & Paper Securities Limited, n.p.v.	20,000	\$ 310,000
Dominion-Scottish Investments Limited, n.p.v.	60,000	870,000
Power Corporation of Canada, Limited, n.p.v.	40,000	330,000
		<u>\$1,510,000</u>

MERCHANDISING (3.64%)

Metropolitan Stores of Canada Limited, n.p.v..	12,000	\$ 408,000
Simpsons, Limited, n.p.v.	15,000	506,250
		<u>\$ 914,250</u>

METALS AND MINING (13.12%)

Alcan Aluminium Limited, n.p.v.	20,000	\$ 567,600
British Columbia Molybdenum Limited, Share Purchase Warrants	10,000	88,800
Cominco Ltd., n.p.v.	15,000	378,750
Hollinger Consolidated Gold Mines, Limited, of \$5	10,000	285,000
Hudson Bay Mining and Smelting Co., Limited, n.p.v.	6,000	339,000
International Nickel Company of Canada, Limited, The, n.p.v.	6,000	756,000
Noranda Mines Limited, n.p.v.	7,000	362,250
Opemiska Copper Mines (Quebec) Limited, of \$1	25,000	241,250
Yukon Consolidated Gold Corporation Limited, The, of \$1	200,000	280,000
		<u>\$3,298,650</u>

OIL AND GAS (11.66%)

Amerada Petroleum Corporation, n.p.v..	4,000	\$ 348,322
British American Oil Company Limited, The, n.p.v.	15,000	570,000
Canadian Petrofina Limited, of \$10	20,000	272,600
Hudson's Bay Oil and Gas Company Limited, of \$2.50	10,000	427,500
Interprovincial Pipe Line Company, of \$1	30,000	648,900
Shell Canada Limited, Class "A", n.p.v.	10,000	345,000
Texaco Canada Limited, n.p.v.	10,000	320,000
		<u>\$2,932,322</u>

PRINTING AND PUBLISHING (9.36%)

Moore Corporation, Limited, n.p.v.	40,000	\$1,170,000
Southam Press Limited, n.p.v.	12,000	555,000
Sun Publishing Company Limited, Class "A", n.p.v.	20,000	627,600
		<u>\$2,352,600</u>

COMMON STOCKS (86.66%) (Continued)

	Number of Shares	Market Value
PUBLIC UTILITIES (2.56%)		
Houston Lighting & Power Company, n.p.v.	5,000	\$ 247,050
Maritime Electric Company, Limited, n.p.v.	16,000	396,000
		<u>\$ 643,050</u>

PULP AND PAPER (6.16%)

Anglo-Canadian Pulp and Paper Mills, Limited, n.p.v.	30,000	\$ 187,500
Consolidated-Bathurst Limited, n.p.v.	11,525	250,669
Fraser Companies, Limited, n.p.v.	12,000	226,560
MacLaren Power & Paper Company, Class "B", of \$2.50	12,000	204,000
Niagara Wire Weaving Company Limited, The, n.p.v.	4,900	91,875
Niagara Wire Weaving Company Limited, The, Class "B", n.p.v.	6,000	94,500
Price Company Limited, The, n.p.v.	50,000	494,000
		<u>\$1,549,104</u>

STEEL (1.61%)

Steel Company of Canada, Limited, The, n.p.v.	20,000	\$ 405,000
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TRANSPORTATION (4.34%)

Canadian Pacific Railway Company, of \$25	5,000	\$ 292,500
New York Central Railroad Company, The, of \$1	4,000	325,080
Seaboard Coast Line Railroad Company, of \$20	6,000	312,660
Southern Pacific Company, n.p.v.	5,000	160,002
		<u>\$1,090,242</u>

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1967

SUMMARY

	Market Value	Approx. Percent
BONDS AND DEBENTURES	\$1,631,800	6.49%
PREFERRED STOCKS	\$1,723,241	6.85%
COMMON STOCKS		
Banks	\$1,990,790	7.92%
Building Materials and Construction	568,395	2.26
Chemical	222,490	0.89
Electrical Equipment and Electronics.	1,807,218	7.19
Entertainment	830,000	3.30
Food and Beverages	1,227,500	4.88
Insurance and Mortgage	443,500	1.76
Investment Companies	1,510,000	6.01
Merchandising	914,250	3.64
Metals and Mining	3,298,650	13.12
Oil and Gas	2,932,322	11.66
Printing and Publishing.	2,352,600	9.36
Public Utilities	643,050	2.56
Pulp and Paper	1,549,104	6.16
Steel	405,000	1.61
Transportation	1,090,242	4.34
	\$21,785,111	86.66%
TOTAL INVESTMENTS	\$25,140,152	100.00%

Market values of securities quoted in United States dollars are expressed in Canadian funds at 8% premium.

TEN YEAR RECORD

EARNINGS

Year to 31st December	Total Gross Income	Expenses and Interest	Preferred Dividend per share	Preferred Dividend arrears per share	Earned per Common share (a)	Common Dividend per share (a)
	—000's omitted—					
1958	\$536	\$141	\$13.50 (c)	\$20.50	\$0.27	\$ —
1959	548	133	14.00 (c)	11.50	0.30	—
1960	574	163	14.00 (c)	2.50	0.29	—
1961	574	160	7.50 (c)	—	0.30	0.20
1962	568	154	3.12 (c)	—	0.36	0.30
1963	665	154	1.25	—	0.42	0.39
1964	857	166	2.50	—	0.50	0.42
1965	907	170	2.50	—	0.44	0.42
1966	981	162	2.50	—	0.54	0.45
1967	946	150	2.50	—	0.51	0.45

(a) Adjusted for 3 for 1 split.

(b) Old Preferred at \$105 per share in winding-up or dissolution plus arrears of dividends, where applicable; new Preferred at a redemption price of 105%.

(c) Old Preferred shares redeemed on 15th May, 1962, at \$100, plus accrued dividend 62¢, for a total consideration of \$1,994,490.

(d) 80,000 shares issued on 5th July, 1963.

(e) 40,000 shares issued on 29th December, 1964.

ASSETS

Total Net Assets Col. 1	Due to Debenture Holders Col. 2	Due to Preferred Shareholders Col. 3 (b)	Available for Common Shareholders Col. 4	Leverage Prior Charges to Common Cols. 2+3: 4	Break-up value per Common share (a)	Montreal Stock Exchange Composite Index	Dow Jones Ind. Average
—000's omitted—							
\$14,964	\$2,500	\$2,828	\$ 9,636	36 64	\$10.73	100.2	583.65
14,148	2,000	2,563	9,585	32 68	10.68	101.5	679.36
14,402	2,000	2,275	10,127	30 70	11.28	98.0	615.89
17,868	2,000	2,086	13,782	23 77	15.35	124.3	731.14
15,531	2,000	— (c)	13,531	13 87	15.07	116.2	652.10
21,101	2,000	4,200(d)	14,901	29 71	16.59	129.1	762.95
25,986	2,000	6,300(e)	17,686	32 68	19.69	156.8	874.13
26,095	2,000	6,300	17,795	32 68	19.81	157.8	969.26
23,344	1,500	6,300	15,544	33 67	17.31	141.1	785.69
25,411	1,500	6,300	17,611	31 69	19.61	157.2	905.11

